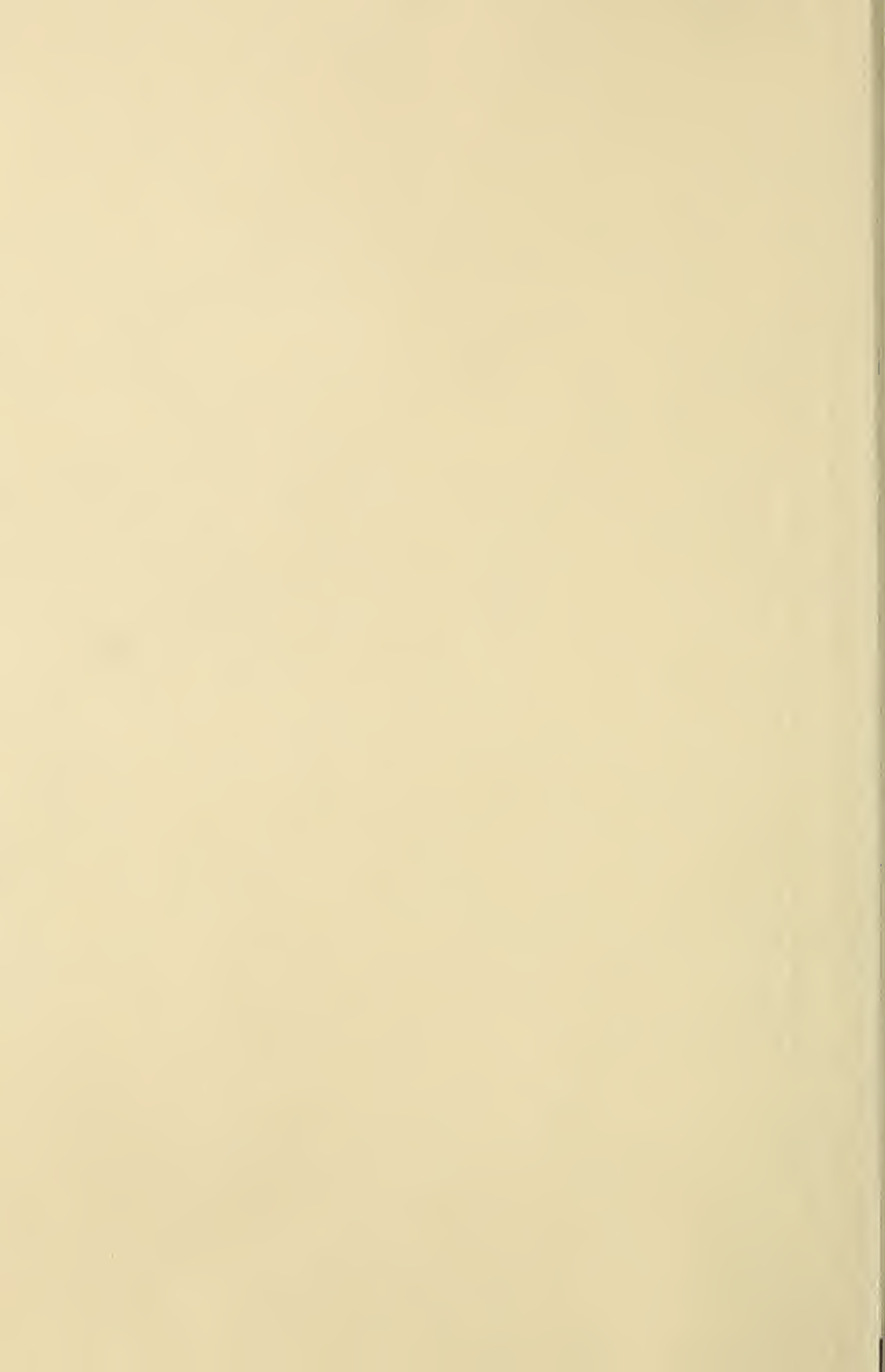


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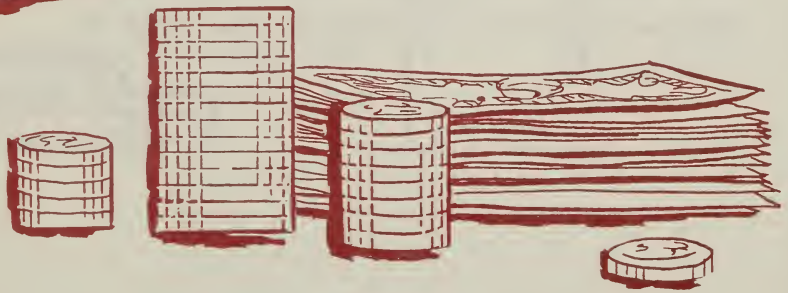
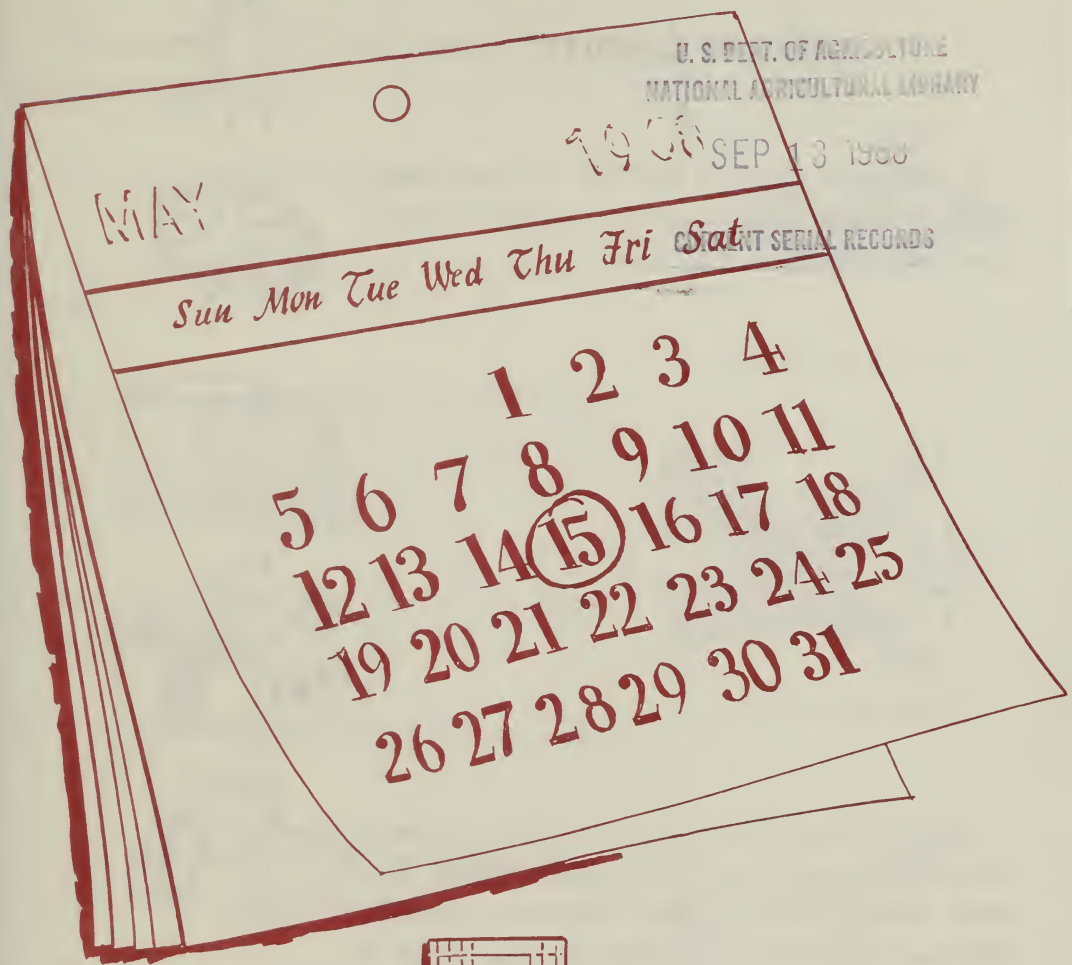
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#864

# WHAT IS CREDIT?



PA-864  
 Division of Home Economics—Federal Extension Service  
 U.S. Department of Agriculture.

## WHAT IS CREDIT?

If you get a light or gas bill, you are using credit. You use both electricity and gas in your home before you pay for them.



You may use credit:

- to buy a stove
- to buy a house
- to buy clothes
- to buy a car.



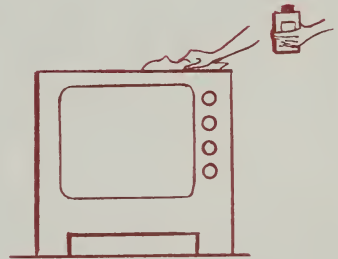
You also use credit when you borrow money. You must pay back more than you borrowed. The extra charge is for interest. Interest is usually stated as a percent (%). You can also figure it in dollars (\$).



When you buy “on time” you say you will do these things:

- You will pay the money you owe.
- You will make payments at a certain time.
- You will give back what you are buying if you cannot finish paying for it. AND you likely will not get back the money you have already paid.
- You will not sell what you have bought until it is paid for.
- You will not move it away until you make all the payments.
- You will take care of any damage done to it if you have to return it.

You do not own what you are buying until all payments are made. You can use it, but it still belongs to the store.



## PROTECT YOUR CREDIT RATING

- Keep your promise to pay on time.
- Let your creditors know if you can't pay—before the payment is due.
- Explain why. Sometimes some other agreement can be made.



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